



OIL EXTRACTION TAX INCENTIVE BECOMES EFFECTIVE FEBRUARY 1, 2015

TO: North Dakota Oil Producers and Purchasers
FROM: Office of State Tax Commissioner
SUBJECT: Horizontal New Well 2% Oil Extraction Tax Incentive Rate
DATE: February 2, 2015

Effective February 1, 2015, the 2% Horizontal New Well extraction tax incentive rate, contained in North Dakota Century Code § 57-51.1-03(9), became “effective” with January 2015’s computed “average price of a barrel of crude oil” falling below \$55. Therefore, horizontal new well completions made after January 31, 2015 *will* be eligible for the 2% extraction tax incentive rate contained in this subsection.

In order to qualify for the Horizontal New Well 2% oil extraction tax incentive rate a horizontal well must have been both drilled (spudded) after April 30, 2009 and completed during a month in which the incentive is effective.

NORTH DAKOTA CENTURY CODE § 57-51.1-03(9) PROVIDES THAT:

The first seventy-five thousand barrels or the first four million five hundred thousand dollars of gross value at the well, whichever is less, of oil produced during the first eighteen months after completion, from a horizontal well drilled and completed after April 30, 2009, and before July 1, 2015, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter.

A well eligible for a reduced tax rate under this subsection is eligible for the exemption for horizontal wells under subsection 3, if the exemption under subsection 3 is effective during all or part of the first twenty-four months after completion.

The rate reduction under this subsection becomes effective on the first day of the month following a month for which the average price of a barrel of crude oil is less than fifty-five dollars.

The rate reduction under this subsection becomes ineffective on the first day of the month following a month in which the average price of a barrel of crude oil exceeds seventy dollars.

If the rate reduction under this subsection is effective on the date of completion of a well, the rate reduction applies to production from that well for up to eighteen months after completion, subject to the other limitations of this subsection.

If the rate reduction under this subsection is ineffective on the date of completion of a well, the rate reduction under this subsection does not apply to production from that well at any time.

NORTH DAKOTA CENTURY CODE § 57-51.1-01(2) PROVIDES THAT:

The “average price of a barrel of crude oil,” means the monthly average of the daily closing price for a barrel of west Texas intermediate cushing crude oil, as those prices appear in the Wall Street Journal, midwest edition, minus two dollars and fifty cents.

The 2% Horizontal New Well extraction tax incentive rate may become “ineffective” for future completions if the “average price of a barrel of crude oil” exceeds \$70. In the event the 2% Horizontal New Well extraction tax incentive rate becomes “ineffective” for future completions, the Tax Commissioner will issue an additional notice. Please note that this incentive is set to expire on June 30, 2015.

Additional information is available on our website at www.nd.gov/tax/oilgas/ A complete listing of links to the North Dakota Century and Administrative Codes are located on our website at www.nd.gov/tax/centurycode If you have any questions, please contact the Oil and Gas Tax Section at 701.328.2705 or by email at oiltax@nd.gov